

**REPORT OF THE AUDIT OF THE  
GREENUP COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE GREENUP COUNTY SHERIFF**

**For The Year Ended  
December 31, 2007**

The Auditor of Public Accounts has completed the Greenup County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$33,976 from the prior year, resulting in excess fees of \$4,485 as of December 31, 2007. Revenues increased by \$42,656 from the prior year and expenditures increased by \$76,632.

#### **Report Comments:**

- The Sheriff Should Withhold Retirement From All Employees Who Meet The Criteria Established In KRS 78.510
- The Sheriff Should Maintain Time Records For All Employees
- The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures
- The Sheriff's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....	3
NOTES TO FINANCIAL STATEMENT.....	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	11
COMMENTS AND RECOMMENDATIONS .....	15





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
The Honorable Keith M. Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Greenup County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2008 on our consideration of the Greenup County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
The Honorable Keith M. Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Withhold Retirement From All Employees Who Meet The Criteria Established In KRS 78.510
- The Sheriff Should Maintain Time Records For All Employees
- The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Greenup County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

May 30, 2008



GREENUP COUNTY  
KEITH M. COOPER, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	44,037
State Fees For Services:		
Finance and Administration Cabinet		103,229
Circuit Court Clerk:		
Sheriff Security Service	\$	30,161
Court Ordered Payments	<u>12,860</u>	43,021
County Clerk - Delinquent Taxes		9,091
Commission On Taxes Collected		510,598
Other Fees On Taxes Collected:		
Sheriff's 10% Add-On Fees		95,392
Fees Collected For Services:		
Auto Inspections	11,425	
Accident and Police Reports	1,394	
Serving Papers	54,650	
Carrying Concealed Deadly Weapon Permits	<u>4,795</u>	72,264
Other:		
Miscellaneous	9,530	
School Resource Officer	<u>18,558</u>	28,088
Interest Earned		7,621
Borrowed Money:		
State Advancement	198,000	
Bank Note	<u>40,000</u>	<u>238,000</u>
Total Revenues		<u>1,151,341</u>

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
 KEITH M. COOPER, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2007  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 343,824

Other Salaries 82,727

Kentucky Law Enforcement Foundation Program Fund 37,129

Employee Benefits-

Employer's Share Social Security 41,841

Employer Paid Health Insurance 31,712

Contracted Services-

Advertising 696

Fiscal Court Collections 12,860

Contract Labor 3,600

Materials and Supplies-

Office Materials and Supplies 10,639

Uniforms 33,629

Auto Expense-

Gasoline 74,665

Other Charges-

Conventions and Travel 17,310

Postage 1,360

Computer 12,281

Telephone 5,697

Bank Charges 240

Professional Fees 16,500

Bonds 4,144

Miscellaneous 7,582

Capital Outlay-

Vehicles 85,304 \$ 823,740

Debt Service:

State Advancement 198,000

Notes 40,000

Interest 452 238,452

Total Expenditures 1,062,192

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
KEITH M. COOPER, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2007  
(Continued)

Net Revenues	\$ 89,149
Less: Statutory Maximum	<u>81,277</u>
Excess Fees	7,872
Less: Training Incentive Benefit	<u>3,387</u>
Excess Fees Due County for 2007	4,485
Payment to Fiscal Court - February 26, 2008	<u>4,485</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREENUP COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Special Enforcement Account

The Sheriff maintains a separate account that is used for drug enforcement activities. This account is funded through written court orders. For 2007, the beginning balance was \$18,595. There were receipts of \$5,000 and interest earned of \$184. Expenditures for the year totaled \$16,500, leaving an account balance of \$7,279 as of December 31, 2007.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive  
The Honorable Keith M. Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Greenup County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures
- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Withhold Retirement From All Employees Who Meet The Criteria Established In KRS 78.510
- The Sheriff Should Maintain Time Records For All Employees

The Greenup County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Greenup County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 30, 2008

## COMMENTS AND RECOMMENDATIONS



GREENUP COUNTY  
KEITH M. COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The Sheriff Should Withhold Retirement From All Employees Who Meet The Criteria Established In KRS 78.510

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It was noted in the test of payroll that an employee did not have retirement withheld from his gross wages. This deputy works under a 175-day contract working 8 hours a day at the county high school, all of which indicates full-time status. However, it is our understanding that the employee is classified as a part-time deputy of the Sheriff's office, and therefore should not have retirement withheld. Due to a lack of timesheets or written contract, it cannot be determined whether the employee should be a part-time or a full-time employee; however, based on the criteria established under KRS 78.510, this employee should have retirement withheld from his gross wages. We recommend the Sheriff comply with KRS 78.510 by withholding retirement from all employees who meet the requirements of the above statute.

*Sheriff's Response: This is being resolved RIGHT NOW.*

The Sheriff Should Maintain Time Records For All Employees

Timesheets were not maintained for employees of the Sheriff. KRS 337.320 states that every employer shall keep record of the hours worked each day and each week by each employee. Timesheets should be kept for payroll verification and as a record of leave time used. The employee and the appropriate supervisor should sign all timesheets. We recommend the Sheriff maintain time records properly for all employees.

*Sheriff's Response: We do and always have kept timesheets, they have been updated at your request.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures

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We noted the Sheriff retained a contractor without having a written agreement describing the scope of the services to be performed. This document should be reviewed by the fiscal court and documented in the fiscal court minutes. The contractor was paid \$3,600 and given a form 1099 Misc. for income tax reporting purposes for the year under audit. Without documentation as to the nature of services rendered, applicability of state law cannot be ascertained. In order for the contractor to be paid, an invoice detailing the services provided on a monthly basis should be maintained and monitored to ensure the safeguarding of assets. We recommend the Sheriff obtain a written agreement from the contractor and require the contractor to submit monthly invoices for services performed.

*Sheriff's Response: This is the same issue we have taken up before. I will have my CPA write yet another letter. We will receive bills from now on.*

GREENUP COUNTY  
KEITH M. COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures (Continued)

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*Sheriff's Response: (Continued)*

The following letter was provided by the Sheriff and written by the above referenced CPA:

*June 3, 2008*

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*PO Box 964  
Olive Hill, KY 41164*

*Re: Keith Cooper, Greenup County Sheriff*

*Dear \_\_\_\_\_:*

*I am in receipt of your Exit Conference Addendum dated May 30, 2008 concerning the independent contracts that Keith has helping serve papers. We had already applied the 20 point test to these individuals and determined they were not employees and have treated them as such. We issued 1099's accordingly.*

*The following are some of the issues we used in determining their status based on the 20 point test:*

- 1. Individuals are not sworn deputies and have no powers thereof.*
- 2. Duties are limited to occasional serving papers and vehicle inspections, when extra workload permits.*
- 3. There is no requirement that the services be rendered personally.*
- 4. They can sublet, supervise, and pay assistants if they wish (somewhat impractical since their compensation is only a couple hundred dollars per month, but can if they want).*
- 5. The continuity of the relationship is not permanent, services are overflow only.*
- 6. Office does not set their hours and work is performed at their home.*
- 7. There is no requirement for full-time work and in fact, full-time is not available and they provide less than 100 hours per month for overflow services.*
- 8. They do not work on employer premises.*
- 9. Office does not set the order or sequence of work.*
- 10. Office does not require oral or written reports.*
- 11. Office provides transportation to save tax dollars, but does not pay for any other business expenses.*
- 12. Contractor can/may/does work for others. Minimal time required for this contract.*
- 13. Firm can discontinue contract at any time by not giving anymore contracts to serve.*
- 14. Worker can terminate contract at any time by returning unfulfilled contracts.*

*As a safe harbor, we have treated them as independent contractors from inception, dating back to 1977 and issued 1099's accordingly.*

GREENUP COUNTY  
KEITH M. COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2007  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

The Sheriff Did Not Maintain Proper Supporting Documentation For \$3,600 Of Contract Labor Expenditures (Continued)

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*Sheriff's Response: (Continued)*

*Yours truly,*

*Terry R. Fyffe, CPA, ABV  
2155 Carter Avenue  
P.O. Box 2245  
Ashland, Kentucky 41105-2245  
Phone: 606-329-8604  
Fax: 606-324-2823  
[trfyffe@fja-cpas.com](mailto:trfyffe@fja-cpas.com)*

Auditor's Reply:

The official's response does not address the report comment. The Sheriff should require contractors to submit detailed invoices for the services provided and supporting documentation for the time and expenses incurred for the services to ensure the appropriateness of the expenditures. Additionally, the Sheriff should contact federal and state agencies for guidance in the determination and documentation of independent contractors.

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. All office staff collects receipts including the bookkeeper. The bookkeeper prepares daily checkouts and posts to the receipts ledger. The bookkeeper prepares the bank reconciliations and agrees bank balances to the ledgers. The Sheriff's bookkeeper prepares, posts and mails all checks for disbursements. Good internal controls dictate the same employee should not handle, record and reconcile receipts. However, the lack of adequate segregation of duties is hereby noted as a significant deficiency pursuant to professional auditing standards. We believe this significant deficiency as described above is not a material weakness. The Sheriff could strengthen controls by reviewing the deposit, and compare it to the daily checkout sheet and receipts ledger. This procedure needs to be documented by the Sheriff initialing either the checkout sheet, receipts ledger, or deposit slip. Also, all checks could be signed by two people, with one being the official.

*Sheriff's Response: This is inconceivable and impossible.*

